

**FINANCIAL REPORT  
NORTHEAST MICHIGAN COUNCIL OF GOVERNMENTS  
SEPTEMBER 30, 2004**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Northeast Michigan Council of Governments</b>	County <b>Otsego</b>
Audit Date <b>9/30/04</b>	Opinion Date <b>11/18/04</b>	Date Accountant Report Submitted to State: <b>4/26/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Hill, Schroderus &amp; Co., LLP</b>			
Street Address <b>923 Spring Street</b>	City <b>Petoskey</b>	State <b>MI</b>	ZIP Code <b>49770</b>
Accountant Signature <i>Saune Bamberg CPA</i>		Date <b>4/26/05</b>	

**NORTHEAST MICHIGAN COUNCIL OF GOVERNMENTS  
FINANCIAL REPORT  
September 30, 2004**

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November 18, 2004

Independent Auditors' Report

Board of Directors  
Northeast Michigan Council of Governments  
Gaylord, Michigan

We have audited the accompanying financial statements of the business-type activities of the Northeast Michigan Council of Governments, as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Northeast Michigan Council of Governments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Northeast Michigan Council of Governments as of September 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2004, on our consideration of the Northeast Michigan Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors  
Northeast Michigan Council of Governments

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeast Michigan Council of Governments' basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hill, Schroeder & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Potoskey, Michigan



Northeast Michigan Council of Governments

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## Management's Discussion and Analysis

### Overview of the Basic Financial Statements

Northeast Michigan Council of Governments' basic financial statements include government-wide statements and notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

An  
Equal  
Opportunity  
Employer

### Government-wide Financial Statements

The government-wide financial statements report information on the Council's business type fund. The government-wide statements are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Council's assets and liabilities, with the difference reported as net assets. All long-term assets and debt obligations are presented, as applicable.

The Statement of Activities focuses on the current year's revenues and expenses using accounting methods similar to those used by private sector businesses. This statement measures the Council's change in net assets for the year.

### Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide financial statements.

### Other Supplementary Information

A listing of planning projects and programs is provided in the Other Supplementary Information as well as a combining statement of program activity. This information is not required as a part of the basic financial statements.

Regional  
Cooperation  
Since  
1968

## Government-wide Financial Analysis

The table below summarizes the Council's net assets as of September 30, 2004 and 2003:

	2004	2003
<b>Assets</b>		
Current and other assets	\$ 274,688	\$ 239,436
Capital assets - net of accum dep	6,650	-
Total assets	281,338	239,436
<b>Liabilities</b>		
Current liabilities	274,507	244,958
Non-current liabilities	-	6,774
Total liabilities	274,507	251,732
<b>Net Assets</b>		
Investment in capital assets, net of related debt	6,650	-
Unrestricted	181	(12,296)
Total net assets	\$ 6,831	\$ (12,296)

Capital assets are used in supporting the Council's planning services. The remaining portion of net assets, unrestricted net assets, may be used at the Council's discretion to meet ongoing obligations. During fiscal year 2004 the Council eliminated the deficit in net assets from the prior year.

The results for the Council as a whole are reported in the Statement of Activities, which is summarized below:

	2004	2003
Revenues and Other Support	\$ 873,280	\$ 992,498
Expenses	854,153	977,324
Change in net assets	19,127	15,174
Net assets-beginning of year	(12,296)	(27,470)
Net assets-end of year	\$ 6,831	\$ (12,296)

As shown above, the current year operating gain was \$19,127. Program revenues are directly related to program expenses. The Council relies on member appropriations each year from local units of government to help offset costs and to eliminate the prior year deficit. The Council experienced an increase in net assets for both years primarily due to increased member appropriations.

## Capital Assets

At September 30, 2004 the Council had \$51,844 invested in capital assets. The following table summarizes the capital asset activity for the year:

	<u>Oct 1, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Sept 30, 2004</u>
Assets being depreciated	\$ 45,194	\$ 6,650	\$ -	\$ 51,844
Less accum depreciation	<u>45,194</u>	<u>-</u>	<u>-</u>	<u>45,194</u>
Net capital assets	<u>\$ -</u>	<u>\$ 6,650</u>	<u>\$ -</u>	<u>\$ 6,650</u>

## Economic Factors

Northeast Michigan Council of Governments is a regional planning "commission" servicing various counties and local units of government in Northeast Michigan. The Council's funding is obtained from member appropriations as well as federal, state and other grants or contracts. Consequently, the Council is affected by economic fluctuations affecting Northeast Michigan as well as state and federal budgetary constraints.

## Financial Contact

The Council's financial statements are designed to present users with a general overview of the Council's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Executive Director of Northeast Michigan Council of Governments.



**NORTHEAST MICHIGAN COUNCIL OF GOVERNMENTS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2004**  
**(With comparative amounts for September 30, 2003)**

<u>Assets</u>	<u>2004</u>	<u>2003</u>
<b>Current assets:</b>		
Cash	\$ 20,021	\$ 68,196
Accounts receivable	57,867	2,443
Due from grantors	194,344	166,792
Prepaid expenses	2,456	2,005
Total current assets	<u>274,688</u>	<u>239,436</u>
<b>Noncurrent assets:</b>		
Fixed assets	51,844	45,194
Less: accumulated depreciation	<u>(45,194)</u>	<u>(45,194)</u>
Total fixed assets (net)	<u>6,650</u>	<u>-</u>
Total assets	<u><u>\$ 281,338</u></u>	<u><u>\$ 239,436</u></u>
 <b><u>Liabilities and Fund Equity</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 98,120	\$ 169,409
Accrued payroll and taxes withheld	44,440	30,931
Notes payable - current portion	6,239	6,272
Line of credit	32,000	-
Due to MESCA and NEMRA	2,191	4,494
Due to grantors	934	934
Deferred revenue	90,583	32,918
Total current liabilities	<u>274,507</u>	<u>244,958</u>
<b>Noncurrent liabilities:</b>		
Notes payable - long term	<u>-</u>	<u>6,774</u>
Total liabilities	<u>274,507</u>	<u>251,732</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	6,650	-
Unrestricted	<u>181</u>	<u>(12,296)</u>
Total net assets	<u>6,831</u>	<u>(12,296)</u>
Total liabilities and net assets	<u><u>\$ 281,338</u></u>	<u><u>\$ 239,436</u></u>

**NORTHEAST MICHIGAN COUNCIL OF GOVERNMENTS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Year Ended September 30, 2004**  
**(With comparative amounts for September 30, 2003)**

	2004	2003
<b>Revenues and other support:</b>		
Federal	\$ 299,213	\$ 373,837
State	313,642	308,622
Local	196,744	187,379
In-kind contributions	56,901	121,992
Other income	6,780	668
	<hr/>	<hr/>
Total revenues and other support	873,280	992,498
	<hr/>	<hr/>
<b>Expenses:</b>		
Salaries	235,251	289,099
Fringes	58,231	91,256
Consultant fees	323,589	335,489
Education	15,070	7,065
Advertising	151	267
Supplies	1,614	2,932
Postage	3,250	854
Telephone	1,325	490
Travel	21,272	19,833
Printing	4,132	179
Equipment usage and maintenance	120	825
Direct equipment and software	9,099	8,129
Dues and subscription	2,909	3,119
Meeting expense	2,749	2,829
Consultant travel	3,119	1,789
Interest	-	1,465
Legal and accounting services	-	9,115
Other:		
Other direct	6,230	5,393
Other in-kind	56,901	125,066
Indirect costs	109,141	72,130
	<hr/>	<hr/>
Total expenses	854,153	977,324
	<hr/>	<hr/>
Change in net assets	19,127	15,174
	<hr/>	<hr/>
Net assets, beginning	(12,296)	(27,470)
	<hr/>	<hr/>
Net assets, ending	\$ 6,831	\$ (12,296)
	<hr/>	<hr/>

**NORTHEAST MICHIGAN COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2004**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments. In accordance with Statement No. 34, the Council is considered to be a Special Purpose Government due to being established to serve one particular purpose. To conform with the Statement, the Council has included a Management's Discussion and Analysis section.

The financial statements of the Northeast Michigan Council of Governments are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Council's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Pronouncements of the FASB issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund in accordance with GASB Statement No. 20.

**A. Reporting Entity**

The Northeast Michigan Council of Governments (the Council) is a regional planning "commission", as defined by Public Act 281 of 1945 of the State of Michigan, servicing various counties and local units of governments in Northeast Michigan. Through the Council, the units coordinate their efforts to maintain and improve the physical, economic and social well being of the area. The Council has been determined to be a local unit of government for financial purposes.

The Council's funding is obtained from county per capita dues and federal, state and other contracts for specified projects designed to further the Council's goals and objectives. Consequently, the Council's ability to collect the amounts due from the various counties and local units of government is affected by economic fluctuations affecting Northeast Michigan.

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 (and amended by GASBS No. 39). GASBS 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the Council and included in the Council's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Council has no component units.

**B. Basis of Accounting**

Basis of accounting refers to when revenues and expenses are to be recognized in the financial statements. As a governmental not-for-profit, which previously reported using the AICPA not-for-profit model, the Council is allowed to report as a special purpose government engaged only in business type activities.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### B. Basis of Accounting (continued)

The Council recognizes revenues and expenses on the "accrual basis of accounting". Under this method, revenues are recognized when earned and expenses (including depreciation) are recognized when a liability is created.

#### C. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

#### D. Receivables

The Council provides many services to governmental and quasi-governmental agencies. The Council has contracts to provide payment for these services rendered, along with other performance related objectives achieved, up to a maximum contractual dollar amount.

#### E. Capital Assets

Capital assets, which include furniture and equipment, are reported in the Statement of Net Assets. Capital assets are defined by the Council as assets that are purchased or acquired with an estimated useful life in excess of one year. Such assets are reported at historical cost. Contributed assets are reported at fair market value as of the date donated. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and other equipment	5-15 years
-------------------------------	------------

Equipment purchased with governmental grants, which could, subject to the specific contract terms, revert to the grantor, are expenses to the grant when acquired.

#### F. Revenues and Other Support

##### Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions.

##### Deferred Revenue

Resources from various grants are recorded as revenue when the related costs are incurred. Donor restricted contributions and contractual advances are deferred and recognized over the periods to which the terms of the restricted contributions are substantially met and the contractual services are provided.

##### Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Donated Services

Agencies, business firms and others contribute materials and services toward the fulfillment of projects initiated by the Council. To the extent that contributions of materials and services are objectively measurable and represent program or support expenditures which would otherwise be incurred by the Council, they are reflected in both other support and program expenses in the accompanying financial statements.

No volunteer services have been valued in the financial statements in as much as there is no objective basis available to measure the value of such services; however, a number of volunteers have donated substantial amounts of their time to program services.

#### **G. Expenses**

Expenses identified as applying to a specific program or supporting service are recorded in the appropriate service area as incurred. Expenses not directly attributable to a program or supporting service are allocated between service areas based on an indirect cost rate.

#### **H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **I. Income Taxes**

The Council is a governmental unit as defined by Public Act 281 of 1945 of the State of Michigan and is therefore exempt from federal income taxation.

#### **J. Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Council's financial position and operations.

### NOTE 2: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Council to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Council is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## NOTE 2: CASH AND INVESTMENTS – CONTINUED

The Council's deposits and investment policy are in accordance with statutory authority.

### Cash Deposits

The Council places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. As of September 30, 2004, the Council had no significant concentrations of credit risk from temporary cash investments.

## NOTE 3: CAPITAL ASSETS

Capital asset activity of the Council's primary government for the current year was as follows:

	Balance October 1, 2003	Additions	Deletions	Balance September 30, 2004
Capital assets				
being depreciated:				
Equipment	\$ 45,194	\$ 6,650	\$ -	\$ 51,844
Less accumulated depreciation:				
Equipment	(45,194)	-	-	(45,194)
Governmental activities net capital assets	<u>\$ -</u>	<u>\$ 6,650</u>	<u>\$ -</u>	<u>\$ 6,650</u>

There was no depreciation expense charged for the current year. The addition to assets was purchased at the end of the fiscal year and other assets were fully depreciated in prior years.

## NOTE 4: DUE FROM GRANTORS

The amount reported as "Due from Grantors" as of September 30, 2004 and 2003, consists of amounts due from the following:

	2004	2003
Presque Isle County	\$ 21,796	\$ 11,286
Rogers City	7,331	-
State of Michigan Department of Environmental Quality	36,675	33,157
U. S. Department of Agriculture	10,489	15,904
U.S. Department of Commerce	43,262	-
State of Michigan Office of Community Corrections	28,924	28,356
State of Michigan Department of Transportation	31,431	67,679
Others	14,436	10,410
Total due from grantors	<u>\$ 194,344</u>	<u>\$ 166,792</u>

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 5: LEASES

Northeast Michigan Council of Governments leases a building on a month to month basis, under an operating lease that expired November 30, 2003. Amounts charged to expense under the operating lease totaled \$18,000 and \$16,500 for the years ended September 30, 2004 and 2003 respectively.

### NOTE 6: DEFERRED COMPENSATION PLAN

The Council offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all Council employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

### NOTE 7: DEFINED CONTRIBUTION PLAN

The Council provides pension benefits for full time employees, as designated by Council, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Council's contributions for each employee (and interest allocated to each employee's account) are fully vested immediately.

The Council's total payroll in fiscal year 2004 was \$235,251. As permitted, Council elected not to contribute to the plan for fiscal year 2004 due to financial constraints.

### NOTE 8: LONG-TERM DEBT

The following is a summary of the Council's long-term debt transactions for the year ended September 30, 2004:

	Beginning Balance	Additions	Reductions	Ending Balance
Notes payable:	\$ 13,046	\$ -	\$ 6,807	\$ 6,239

The note payable ending balance is due within one year and considered a current liability at September 30, 2004.

### NOTE 9: LINE OF CREDIT

The Council has available a revolving line of credit with a bank for \$35,000. The line of credit is renewed on an annual basis. Borrowings under the line of credit bear interest at the bank's prime rate plus 1%. All borrowings are collateralized by substantially all assets of the Council. Outstanding liability on the line of credit was \$32,000 at September 30, 2004.

# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## NOTE 10: DEFERRED REVENUE

The amount reported as "Deferred Revenue" as of September 30, 2004 and 2003, consists of amounts deferred from the following funding sources:

	2004	2003
U.S. Department of Commerce (EDA) #06-83-04807	\$ -	\$ 29,609
U.S. Department of Commerce (EDA) #06-83-04910	36,349	-
Michigan Dept. of Transportation #73253	-	1,513
U.S. Environmental Protection Agency #GL-97512201	-	1,796
U.S. Department of Commerce (EDA) #06-86-04916	329	-
Tri-Township Master Plan (local)	938	-
Fiscal year 2005 member appropriations	52,967	-
	<u>\$ 90,583</u>	<u>\$ 32,918</u>

## NOTE 11: INDIRECT COSTS

Indirect costs which support all projects are allocated based on the ratio of the individual project's salaries and fringe benefits to total projects salaries and fringe benefits. The following are the total indirect costs allocated to projects, including agency administration:

	2004	2003
Supplies & printing	\$ 7,134	\$ 8,761
Postage	3,566	3,579
Legal and accounting	37,871	15,645
Staff travel	7,138	4,204
Telephone	4,972	5,139
Rent	16,620	15,235
Equipment usage and maintenance	9,131	4,476
Dues, subscription and education	6,791	5,747
Interest and service charges	2,894	3,654
Computers/software and support	7,522	4,127
Other	5,502	1,563
	<u>\$ 109,141</u>	<u>\$ 72,130</u>

## NOTE 12: CONTINGENCIES

Certain funded contractual programs are subject to audit by the grantors. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds if any, are generally payable from the Council's unrestricted fund balance. The Council feels that any potential disallowances are immaterial.



**NOTE 13: RISK MANAGEMENT**

The Council is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Council carries commercial insurance for risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

OTHER SUPPLEMENTAL INFORMATION

**NORTHEAST MICHIGAN COUNCIL OF GOVERNMENTS  
PROGRAM ACTIVITY  
COMBINING STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	EDA Grant (1)	EDA Grant (2)	EDA Grant (3)	Huron Pines Comm Act (4)
<b>Revenues and other support:</b>				
Federal	\$ 29,609	\$ 18,279	\$ 15,948	\$ -
State	-	-	-	-
Local	60	80	4,671	24,836
Contributions:				
In-Kind	3,316	-	-	-
Other	-	-	-	-
	<u>32,985</u>	<u>18,359</u>	<u>20,619</u>	<u>24,836</u>
Total revenues and other support				
	<u>32,985</u>	<u>18,359</u>	<u>20,619</u>	<u>24,836</u>
<b>Expenses:</b>				
Salaries	17,514	4,560	772	13,991
Fringes	4,352	1,130	191	3,466
Consultant fees	-	3,570	12,781	249
Education	-	-	-	-
Advertising	14	-	-	-
Supplies	162	60	-	-
Postage	11	-	-	-
Telephone	-	-	-	-
Travel	666	1,389	6,414	402
Printing	-	-	-	-
Equipment usage and maintenance	-	-	-	-
Direct equipment and software	-	-	-	-
Dues and subscription	200	1,000	-	-
Meeting expense	486	78	99	35
Consultant travel	-	36	-	137
Interest	-	-	-	-
Legal and accounting services	-	-	-	-
Other:				
Other direct	-	-	-	-
Other in-kind	3,316	-	-	-
Indirect costs	7,339	2,136	362	6,556
	<u>34,060</u>	<u>13,959</u>	<u>20,619</u>	<u>24,836</u>
Total expenses				
	<u>34,060</u>	<u>13,959</u>	<u>20,619</u>	<u>24,836</u>
<b>Excess (deficiency) of revenues and other support over expenses</b>	<u>\$ (1,075)</u>	<u>\$ 4,400</u>	<u>\$ -</u>	<u>\$ -</u>

OCC (5)	MDOT (6)	I-75 E/W Crossing (7)	Emmet Co. Transit (8)	Thunder Bay II (9)	Cheboygan River (10)	Cheboygan Black River (11)
\$ -	\$ 8,332	\$ 37,600	\$ 21,789	\$ 55,631	\$ 11,983	\$ 68
230,854	61,276	16,065	5,447	-	-	-
8,235	-	3,183	-	-	-	-
-	-	-	-	4,474	3,574	-
-	-	-	-	-	-	-
239,089	69,608	56,848	27,236	60,105	15,557	68
17,842	33,862	4,049	13,371	30,878	6,272	38
4,420	8,390	1,003	3,312	7,649	1,336	10
177,552	3,298	46,619	2,013	6,818	1,620	-
15,070	-	-	-	-	-	-
-	-	-	-	-	-	-
152	296	-	127	42	221	-
-	44	-	1,295	-	-	-
1,095	-	-	-	-	-	-
1,095	4,532	33	705	1,424	45	4
-	-	-	-	1,000	2,500	-
-	-	-	-	-	-	-
3,807	2,096	3,196	-	-	-	-
-	930	-	148	-	-	-
191	545	50	-	155	-	-
2,925	-	-	-	-	-	-
-	-	-	-	21	-	-
-	-	-	-	-	-	-
5,628	124	-	-	-	-	-
-	-	-	-	4,474	-	-
8,360	15,869	1,897	6,265	7,705	3,574	-
-	-	-	-	-	1,320	18
238,137	69,986	56,847	27,236	60,166	16,888	70
\$ 952	\$ (378)	\$ 1	\$ -	\$ (61)	\$ (1,331)	\$ (2)

**NORTHEAST MICHIGAN COUNCIL OF GOVERNMENTS**  
**PROGRAM ACTIVITY**  
**COMBINING STATEMENT - (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Misery Bay (12)	CZM GIS (13)	Community Enrichment (14)	USDA Cattle (15)
<b>Revenues and other support:</b>				
Federal	\$ 28,464	\$ 17,505	\$ 50,000	\$ 4,005
State	-	-	-	-
Local	-	-	-	-
Contributions:				
In-Kind	-	-	-	3,810
Other	-	-	-	-
Total revenues and other support	<u>28,464</u>	<u>17,505</u>	<u>50,000</u>	<u>7,815</u>
<b>Expenses:</b>				
Salaries	15,534	9,793	6,285	142
Fringes	3,848	2,426	1,557	35
Consultant fees	-	-	38,064	3,761
Education	-	-	-	-
Advertising	-	-	-	-
Supplies	187	-	35	-
Postage	-	-	-	-
Telephone	-	-	230	-
Travel	1,103	500	465	-
Printing	-	-	-	-
Equipment usage and maintance	-	-	-	-
Direct equipment and software	-	-	-	-
Dues and subscription	229	-	-	-
Meeting expense	114	-	-	-
Consultant travel	-	-	-	-
Interest	-	-	-	-
Legal and accounting services	-	-	-	-
Other:				
Other direct	171	300	-	-
Other in-kind	-	-	-	3,810
Indirect costs	<u>7,278</u>	<u>4,589</u>	<u>2,945</u>	<u>67</u>
Total Expenses	<u>28,464</u>	<u>17,608</u>	<u>49,581</u>	<u>7,815</u>
<b>Excess (deficiency) of revenues and other support over expenses</b>	<u>\$ -</u>	<u>\$ (103)</u>	<u>\$ 419</u>	<u>\$ -</u>

Hazard Mitigation (16)	Alpena PIng Comm. (17)	Other (18)	Individual Program Subtotal	General Program Operations	Total Program Activity
\$ -	\$ -	\$ -	\$ 299,213	\$ -	\$ 299,213
-	-	-	313,642	-	313,642
61,444	18,431	24,973	145,913	50,831	196,744
24,450	-	-	39,624	17,277	56,901
-	-	-	-	6,780	6,780
85,894	18,431	24,973	798,392	74,888	873,280
21,936	9,912	13,146	219,897	15,354	235,251
5,434	2,463	3,257	54,279	3,952	58,231
22,489	16	4,739	323,589	-	323,589
-	-	-	15,070	-	15,070
117	-	-	131	20	151
83	-	41	1,406	208	1,614
-	22	1,876	3,248	2	3,250
-	-	-	1,325	-	1,325
986	748	695	21,206	66	21,272
-	632	-	4,132	-	4,132
120	-	-	120	-	120
-	-	-	9,099	-	9,099
1	-	-	2,663	246	2,909
-	-	23	1,621	1,128	2,749
-	-	-	3,119	-	3,119
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,223	7	6,230
24,450	-	-	39,624	17,277	56,901
10,278	4,638	6,081	93,703	15,438	109,141
85,894	18,431	29,858	800,455	53,698	854,153
\$ -	\$ -	\$ (4,885)	\$ (2,063)	\$ 21,190	\$ 19,127

# NORTHEAST MICHIGAN COUNCIL OF GOVERNMENTS

## List of Programs

### Program

### Funding Source

### Program Period

#### Economic Development Projects

(1) District Continuation Planning Grant 06-83-04807	U.S. Dept. of Commerce Economic Development Administration	04/01/03-03/31/04
(2) District Continuation Planning Grant 06-83-04910	U.S. Dept. of Commerce Economic Development Administration	04/01/04-03/31/05
(3) EDA Planning Assistance Grant 06-86-04916	U.S. Dept. of Commerce Economic Development Administration	07/01/04-06/30/05
(4) Community Action Plan	Huron Pines	03/01/04-10/31/05

#### Corrections Projects

(5) Comprehensive Corrections Plan	State of Michigan Dept. of Corrections	10/01/03-09/30/04
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#### Transportation Projects

(6) FY 2003 Regional Transportation Planning Work	State of Michigan Dept. of Transportation	10/01/03-09/30/04
(7) I-75 E-W Crossing 73253	State of Michigan Dept. of Transportation	10/01/02-03/30/04
(8) Emmet County Transportation Plan 74292A	State of Michigan Dept. of Transportation	04/14/03-04/13/05

#### Watershed Projects

(9) Thunder Bay Watershed Initiative 2002-0006	State of Michigan Dept. of Environmental Quality	11/01/02-10/31/04
(10) Cheboygan River Lower Black River Transition Implementation 2003-0040	State of Michigan Dept. of Environmental Quality	08/15/04-10/31/05
(11) Cheboygan River Lower Black River Watershed Non Point Management Plan 2000-0162	State of Michigan Dept. of Environmental Quality	12/26/01-12/14/03

# NORTHEAST MICHIGAN COUNCIL OF GOVERNMENTS

## List of Programs (Continued)

<u>Program</u>	<u>Funding Source</u>	<u>Program Period</u>
<u>Environmental Projects</u>		
(12) Misery Bay Great Lakes Program GL-97512201	U.S. Environmental Protection Agency	09/16/02-09/16/04
(13) Coastal Zone Management GIS 03-309-13	State of Michigan Dept. of Environmental Quality	10/01/03-09/30/04
<u>Rural Development Projects</u>		
(14) Community Enrichment Feasibility	U.S. Dept. of Agriculture	06/01/03-06/30/04
(15) Rural Business Enterprise Grant Beef Cattle from N. Lower Michigan	U.S. Dept. Agriculture	06/28/04-06/30/05
<u>Planning Projects</u>		
(16) Presque Isle County Hazard Mitigation Plan	Presque Isle County Michigan Strategic Fund	10/01/02-09/30/04
(17) Alpena County Master Plan and Recreation Plan	Alpena County	10/01/03-12/31/04
<u>Other Projects</u>		
(18) Various other small projects		





REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

November 18, 2004

Board of Directors  
Northeast Michigan Council of Governments  
Gaylord, MI

We have audited the financial statements of the business type activities of Northeast Michigan Council of Governments as of and for the year ended September 30, 2004, and have issued our report thereon dated November 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northeast Michigan Council of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Michigan Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

*Hill, Schroderus & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan